



WISCONSIN

DEPARTMENT OF WORKFORCE DEVELOPMENT
Division of Workforce Solutions
Bureau of Partner Services

**TO: Economic Support Supervisors
Economic Support Lead Workers
Training Staff
Child Care Coordinators
W-2 Agencies**

**FROM: Amy Mendel-Clemens
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BPS OPERATIONS MEMO

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Non W-2 [X] W-2 [X] CC [X]

PRIORITY: HIGH

**SUBJECT: EARNED INCOME, HOMESTEAD and
CHILD TAX CREDITS**

CROSS REFERENCE:

EFFECTIVE DATE: Immediately

PURPOSE

This memo reminds Wisconsin Works (W-2) and economic support (ES) agencies of the importance of the Earned Income Credit and Homestead credit as resources to working low-income families, informs staff about the new Child Tax Credit and informs staff about the availability of free tax preparation assistance.

BACKGROUND:

Agencies have been regularly reminded to inform W-2 and I.M. program applicants and recipients, as well as other low-income customers of the availability of tax credits for working families.

TAX CREDITS

Earned Income Credit (EIC): The most significant of these credits is the Earned Income Credit (EIC). For eligible families filing tax returns for 2001, the maximum federal credit is \$4,008 and the maximum state credit is \$1,723. Families that would have qualified for the credits in previous years, but didn't file a return may claim and receive credits for up to 3 previous years. Federal EIC also has an "advance" feature which allows a portion of the anticipated credit to be included in the filer's regular paychecks.

Child Tax Credit: Many low-income working families may also be eligible for the child tax credit for the first time. The child tax credit is a federal benefit worth up to \$600 this year for each dependent child under age 17. For 2001, even families that earned too little to owe income tax can get the credit. They will receive all or part of their credit in the form of a refund check from the IRS. This credit is in addition to the Earned Income Credit; most low-income working families will qualify for both credits.

Wisconsin Homestead Credit: In addition, many low-income working families will also qualify for the Wisconsin Homestead Credit. Households with incomes less than \$24,500 may be eligible for a credit or refund worth up to \$1,160. This credit is for both homeowners and renters. Also, people who reside in mobile homes or nursing homes who pay property taxes may qualify.

ACTION REQUESTED

VITA Sites: The Internal Revenue Service offers free tax preparation assistance at its Volunteer Income Tax Assistance (VITA) sites.

The Taxpayer Education Office of the Internal Revenue Service has sent packets to W-2 agencies. The packets include a listing of this year's VITA sites, a W-5 form used for claiming the Advance EIC, and an outreach letter from the IRS.

Agencies are asked to share the IRS information with all public contact workers and to remind workers of the importance of referring customers to the sites. This is particularly important for customers who may be filing tax forms for the first time, and customers who may be filing substantially different tax returns than in previous years.

If a customer is going to use a VITA service, he or she should be reminded to bring appropriate documentation. The IRS suggests that individuals bring their form W-2, any additional income information, and the prior year's tax return (if any) to the VITA site.

For the location of a VITA site or other federal tax-related questions, please call 1-800-829-1040.

Wisconsin VITA sites and hours are listed at: <http://www.uwex.edu/ces/econ/vita.html>.

Customer Education: Economic Support staff and W-2 staff need to be aware of these credits and educate their customers about the value of these credits. Agencies should maintain self-help materials on EIC and refer individuals to the Internal Revenue Service's Volunteer Income Tax Assistance (VITA) site for free tax preparation assistance.

Agencies are urged to alert potentially eligible individuals to the advance feature of the federal EIC so that a portion of the credit can be included in regular paychecks. DWD has mailed an EIC informational brochure with every W-2 case benefit check in February and has made the brochure available at all Job Centers across the state.

RELATED WEBSITES

Wisconsin VITA sites and hours: <http://www.uwex.edu/ces/econ/vita.html>.

Free tax assistance sites sponsored by AARP:

<https://secure.aarp.org/servlet/org.aarp.vmis.html.VmisWebServlet/taxsite/TALocateSite.jsp>.

Federal EIC on the IRS website at: <http://www.irs.gov/pub/irs-pdf/p596.pdf>.

Wisconsin EIC on the Wisconsin Department of Revenue website at:

<http://www.dor.state.wi.us/fags/eic.html>.

Wisconsin Homestead Credit on the Wisconsin Department of Revenue website at:

<http://www.dor.state.wi.us/fags/home.html>.

Child Tax Credit on the UW Extension website at: <http://www.uwex.edu/ces/econ/>.

CONTACT

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Note: Email contacts are preferred. Thank you.